

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6335**

**BILL NUMBER:** SB 185

**NOTE PREPARED:** Dec 17, 2004

**BILL AMENDED:**

**SUBJECT:** Sales Tax Exemption for Research Equipment.

**FIRST AUTHOR:** Sen. Ford

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill exempts research and development equipment from Sales Tax.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The bill exempts certain research and development (R&D) equipment sales from the state's 6% Sales Tax. The exemption is estimated to reduce Sales Tax revenue by \$23 M to \$57 M in FY 2006, and approximately \$25 M to \$63 M in FY 2007.

Sales Tax revenue is deposited in the Property Tax Replacement Fund (50%), the state General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Fund (0.033%).

*Background Information:* The estimate above is based on data obtained from the National Science Foundation (NSF) that describes the total value of industrial research and development performed in Indiana through CY 2000. Based on past R&D expenditures and adjusting for historical growth, it is estimated that in FY2006, Indiana firms will expend a total of approximately \$2,944 M on R&D in Indiana. In FY 2007, these expenditures are expected to increase to \$2,984 M. Using NSF information on how R&D funds are spent, it is estimated that approximately 14% to 35% of Indiana R&D expenditures would be subject to the state's Sales Tax.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** National Science Foundation, Survey of Industry Research and Development.

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